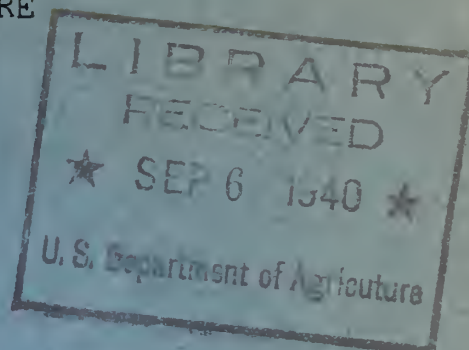


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE



FREE CLASSIFICATION OF COTTON AND COTTON MARKET NEWS

Handbook for Group Representatives and
Others in Communities Organized to
Promote the Improvement
of Cotton

Washington, D. C.
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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

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Introduction

Standardization and classification of the grade and staple length of cotton have been well established for many years. Almost without exception, cotton mills in this country and abroad hold merchants to rigid classification of cotton, according to generally accepted standards or according to private types. But many cotton farmers in the United States have little or no reliable information about the grade and staple length of their cotton or the relative value of various grades and staples. The result is that studies of conditions in local cotton markets have shown that farm prices, in many cases, do not accurately reflect differences in the spinning value of the various qualities of cotton. A situation of this kind discourages quality improvement and gives rise to inequities between farmers that need correction.

To encourage cotton quality improvement and better marketing conditions, Congress, on July 1, 1938, made funds available for free

classification and market news service under the terms of an Act of Congress (7 U.S.C. 473a - 473c) approved in April 1937 and commonly known as the Smith-Doxey Act. (See page 38 for a copy of the Smith-Doxey Act.) In brief, this Act directs the Secretary of Agriculture to furnish cotton farmers who organize to improve their cotton the following services upon written request:

- (1) Free classification of cotton produced by each organized group.
- (2) Timely information on the market supply, demand, location, condition, and market prices for cotton.

The Secretary of Agriculture is authorized to make necessary regulations to effectuate the purposes of this Act. A copy of these regulations issued June 8, 1938, and subsequent amendments are shown on page 39.

The Agricultural Marketing Service of the United States Department of Agriculture is charged with the responsibility of furnishing services authorized by the Smith-Doxey Act. The classification service and market news are furnished free to members of organized groups, but these groups must comply with certain conditions and accept certain responsibilities in order to obtain these free services.

It is necessary for each organized group of farmers to designate a local representative and an alternate representative to act for members of the group. These local representatives, among other things, assume responsibility for the submission of adequate samples of members' cotton to the Service for classification and for posting market news. They are the key men of the groups. Some groups have found it to the advantage of the membership to arrange to compensate their representatives. However, other groups have found competent persons willing and able to serve as group representatives without pay. In any event, the duties and responsibilities of these designated representatives are many and it is essential that they understand what is required of them if the group is to function with maximum efficiency.

In order to assist these group representatives, group officers, and the membership generally, this handbook has been prepared. It assumes that groups are already organized and are ready to start using the services. No attempt is made to answer every conceivable question that is likely to arise in connection with the actual functioning of organized groups. But the material presented is believed to cover most of the essential features of free classification and market news services for organized groups.

It should be understood that much of the material included in this handbook is for guidance in the effective operation of organized groups. Since in some instances alternative procedures are suggested, it is apparent that it will not be practical for each group to follow this handbook in its entirety.

Field representatives of the Agricultural Marketing Service will confer with groups as frequently as available facilities permit. These field men will furnish groups with necessary supplies and instructions and assist with special problems as they arise.

General Duties and Opportunities for Service by Group Representatives

1.-Question. How may local representatives encourage the proper functioning of the group?

Answer. One of the first duties of a group representative is to make certain that all members are fully acquainted with the services available to the group and with the most effective means of using them. At the beginning of the cotton season and as the crop begins to move, each member should be kept posted as to results obtained by other members through the use of the classification and market news service. Each member should be encouraged to feel that he is a part of the organization and that full benefits can be obtained only if each person does his part.

2.- Q. How much time will it be necessary for the group representative to devote to his duties during the ginning season?

A. The amount of time the group representative or his alternate spends on the affairs of the group will depend upon how well this work is performed, the extent to which it is delegated, and the number of members in the group. The two principal functions of the group representative are drawing and shipping samples and posting market news. If he undertakes to perform these functions himself, without aid from other persons, it will be necessary for him to spend at least a part of each business day attending to the affairs of the group. If this work is delegated to other persons, the amount of time required of the group representative will be lessened substantially. It should be noted in this connection that "such representative or alternate representative need not be a producer or a member of the group."

3.- Q. What specific information should group representatives furnish members?

A. Group representatives must furnish certain detailed information to all members if their organization is to function properly. The

group representative must make certain that each member knows where his cotton is to be ginned. In those groups where certain days have been designated for ginning cotton of the adopted variety, members must be kept posted as to ginning days. Members should be told where market news is posted so that they may start using this information as soon as the ginning season opens.

4.- Q. How can group leaders keep members posted on the operation of the organization?

A. In the early stages of the development of an organized group, membership meetings are probably the most effective means of keeping members posted. Personal contacts are desirable and effective but they may require an excessive amount of time. Notices may be published in local newspapers having a general circulation among members and in some instances use of local radio stations for this purpose may be practical. County agents and vocational agriculture teachers should assist in maintaining relationships with members.

5.- Q. What arrangements should be made for meetings between group representatives and representatives of the Agricultural Marketing Service?

A. It is apparent that if the group representative is to serve the group efficiently, he must be available as needed during the ginning season. Field representatives of the Agricultural Marketing Service make trips to each community during the ginning season and it is necessary for group representatives and these field men from the Department of Agriculture to meet as frequently as possible. These meetings should be arranged at a convenient time and place so as to conserve time. If special problems arise, county agents, or branch offices of the Agricultural Marketing Service should be notified and meetings between group representatives and field representatives arranged.

6.- Q. How can group representatives encourage proper harvesting methods by members?

A. To encourage proper picking or harvesting and handling of cotton, group representatives may find it helpful to show members the difference between samples taken from bales of carefully picked cotton and from bales carelessly or improperly harvested. A comparison of the classification of samples and of prices paid for cotton harvested under different conditions might further emphasize the importance of careful harvesting. Members should be cautioned against leaving cotton in the field too long before harvesting, and against picking too soon after rains or heavy dews. Ginning wet cotton often results in damage to both fiber and seed. Mixing different varieties or qualities of cotton should

be carefully avoided. And it is important to emphasize that if a bale contains two or more qualities it is classified according to the lowest of such qualities. This may apply to the mixing of two or more grades or two or more staples and in such cases the bale will be classified according to the lowest grade and shortest staple length contained in the sample.

7. Q. How can group representatives encourage proper ginning and packaging of cotton?

A. Group representatives should keep both farmers and ginners informed with respect to cotton that is reduced in grade because of rough preparation, gin cutting, or for any other reason. Investigation of the cause of such damage and proper measures for correction should be encouraged. State gin specialists may be helpful in this connection. Rough preparation and gin-cutting may result from wet cotton, defective gin machinery, or from the improper operation of the gin. Ginners should be encouraged to use care in covering bales so as fully to protect the cotton.

Drawing, Preparing, and Shipping Samples

8.- Q. What arrangements need to be made for sampling members' cotton?

A. Competent samplers must be available at all times to draw samples from each bale of members' cotton. This work may be done by the group representative or by competent persons designated by him. Arrangements must be made to draw these samples at the gin, warehouse, or other suitable place. If possible, all of the group's cotton should be sampled at the same place. Every precaution should be taken in designating samplers. Sampling is the responsibility of the local representative of the group. It must be done or supervised by the representative. Since sampling requires considerable time some groups have found it expedient to pay for these services. Fees paid for this service range from 5 to 10 cents per bale sampled. In most groups, however, samples were drawn and submitted without cost to the member. Although the Agricultural Marketing Service does not object to the group compensating samplers it should be understood that this cost, if incurred, must be borne locally since the Service has no funds available for this purpose.

9.- Q. What is the importance of obtaining representative samples?

A. The classification of cotton provided by this service applies only to samples as and when submitted. Classification of a bale is based upon the grade and staple of cotton in the sample drawn from the bale. If the sample is not representative of the bale with which it is identified, classification will be misleading.

10.- Q. What kind of sample should be submitted.

A. Any representative sample drawn from both sides of the bale may be submitted by organized groups. Either cut samples or press-box samples may be submitted but in many sections buyers object to accepting classification based on a press-box sample. When such objections are raised, groups may find it to their advantage to submit only cut samples. Since some groups prefer press-box samples it will be permissible, in order to avoid possible misunderstandings, for groups using cut samples to stamp the term "cut sample" on Form 1 classification cards at the time such samples are cut.

11.- Q. What is a cut sample?

A. A cut sample is drawn from both sides of the bale. The bagging is cut close to a band and the cut edge of the cotton grasped firmly and pulled from the bale. The two portions of the sample, one from each side of the bale should weigh not less than three ounces each making the combined weight of the sample at least six ounces. The portion from each side of the bale should be in one piece. It should not be drawn in small parts or wads. Layers of cotton in the sample should not be disturbed. The sample should be about six inches wide and about 12 inches long.

12.- Q. What is a press-box sample?

A. A press-box sample is obtained during the ginning process, usually from the press box prior to the formation or completion of the bale. The two portions of the sample, one from each side of the bale, should weigh not less than three ounces each, making the combined weight of the sample at least six ounces. The sample should not be handled any more than necessary. The portion from each side of the bale should be in one piece. The two portions of the sample should be carefully rolled together, preferably by use of a box designed for this purpose.

13.- Q. What are the requirements for sampling round bales?

A. A representative sample of three ounces should be submitted from each round bale.

14.- Q. May samples be trimmed?

A. Trimming should be limited to the removal of bagging and bagging stains from the outside layer of cut samples.

15.- Q. Is it possible to obtain additional instructions and a demonstration of recommended sampling methods?

A. Yes. If group representatives need further instructions in sampling, they should request a demonstration from field representatives of the Agricultural Marketing Service at the time supplies are delivered or later in the ginning season.

16.- Q. What should be written on the Form 1 classification card before it is placed in the sample?

A. The gin or warehouse tag number should be written on the face of the Form 1 card along with the date on which the bale of cotton was sampled, as illustrated in figure 1. On the reverse side of the card, as shown in figure 2, the name and post office address of the member-owner should be typed or legibly written.

Only one number should be written on the face of the card. This number should be obtained from the tag on the bale at the time of sampling. If the bale is sampled at a gin, use the gin tag number. If it is sampled at a warehouse, use the warehouse tag number. In figure 1, the gin tag number used for illustration is 874. When the gin tag number is used, the word warehouse should be blocked out on the card, as illustrated. When the warehouse tag number is used, the word gin should be blocked out.

17.- Q. How should samples be prepared for shipment?

A. Preparation of samples for shipment should begin with the insertion of a Form 1 classification card between the two parts of the sample. This card should have the coupon attached and should show the gin or warehouse tag number, date of ginning, and the name and address of the member-owner. This information should be carefully checked. The card should be placed in the sample so as not to become displaced in transit. The sample should then be tightly rolled lengthwise, (rubber bands, strings, or other packaging should not be placed around the sample after it is rolled), and packed in the shipping sack furnished for this purpose. This sack bears a self-addressed tag, which requires no postage at point of shipment. Sacks containing samples should be tied securely and mailed to the designated classing office. Sacks only partially filled should be tied down tightly with the draw string to prevent damage to the samples in transit.

18.- Q. Is prompt shipment of samples essential and what arrangement is made for payment of transportation costs?

A. Prompt shipment of samples by the group is essential. Shipments of all samples on hand should be made daily. The time of shipment should be made to conform with transportation schedules so as to avoid delays in shipment. Expenses connected with transportation of samples from the local shipping point to the classing office are borne by the Government.

UNITED STATES DEPARTMENT OF AGRICULTURE
 AGRICULTURAL MARKETING SERVICE
 COTTON CLASSIFICATION MEMORANDUM
 FORM 1

GIN OR WAREHOUSE

TAG No.

874

No. 344575

9-20 19 40

PURSUANT TO THE ACT OF APRIL 13, 1937 (PUBLIC, No. 28, 75TH CONG.), WE CERTIFY THAT ACCORDING TO THE OFFICIAL COTTON STANDARDS OF THE UNITED STATES THE GRADE AND STAPLE LENGTH OF THE SAMPLE OF COTTON HEREIN IDENTIFIED ARE AS SHOWN BELOW:

GRADE	STAPLE	REDUCED FROM A/C	REMARKS
<u>SM</u>	<u>15/16</u>		
<u>John Doe</u> CHAIRMAN, BOARD OF COTTON EXAMINERS 8-12014			

NOTES—THIS CLASSIFICATION APPLIES ONLY TO THE SAMPLE AS AND WHEN SUBMITTED

FIGURE 1.—FACE OF FORM 1 CLASSIFICATION CARD -- SHOWING GRADE AND STAPLE OF MEMBER'S COTTON.

UNITED STATES DEPARTMENT OF AGRICULTURE
 AGRICULTURAL MARKETING SERVICE
 COTTON CLASSING SERVICE UNDER ACT OF APRIL 13, 1937

No. 344575

DO NOT DETACH THIS COUPON

IN PROPER PLACE WRITE GROWER'S NAME AND ADDRESS,
 AND ON REVERSE SIDE WRITE GIN OR WAREHOUSE TAG
 NUMBER.

U. S. DEPARTMENT OF AGRICULTURE
 AGRICULTURAL MARKETING SERVICE

PENALTY FOR PRIVATE USE TO AVOID
 PAYMENT OF POSTAGE, \$300

OFFICIAL BUSINESS

Samuel Jones
 (GROWER'S NAME)

Rt. A Goose Creek
 (POST OFFICE)

Texas
 (STATE)

G P O 8-12014

FIGURE 2.—REVERSE SIDE OF FORM 1 CLASSIFICATION CARD -- SHOWING NAME AND ADDRESS OF MEMBER.

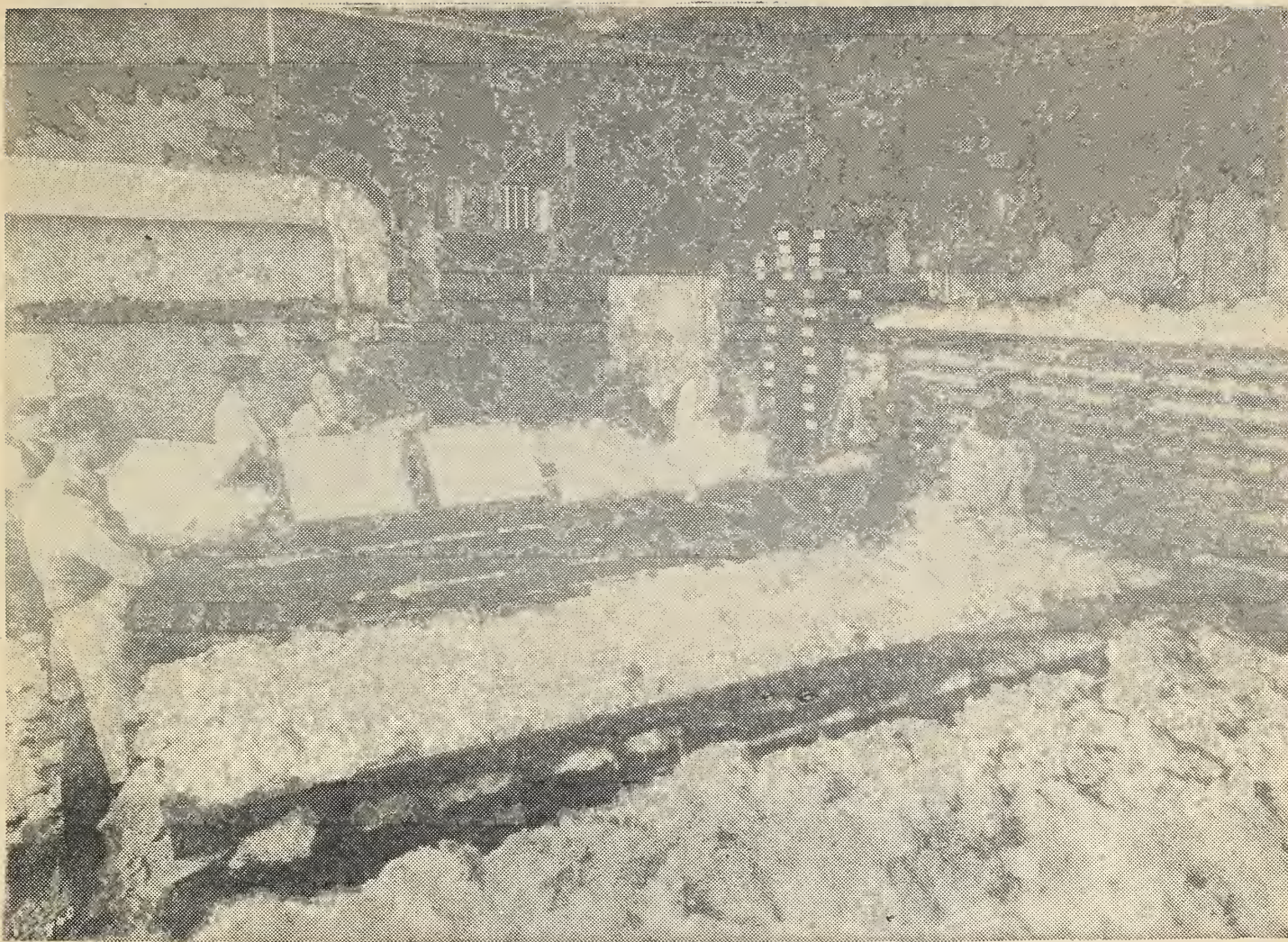


FIGURE 3.- SAMPLES LAID OUT ON CLASSING TABLES. TAGS ARE PLACED IN THE CENTER OF EACH SAMPLE, SEPARATING PORTIONS OF THE SAMPLE DRAWN FROM OPPOSITE SIDES OF THE BALE.

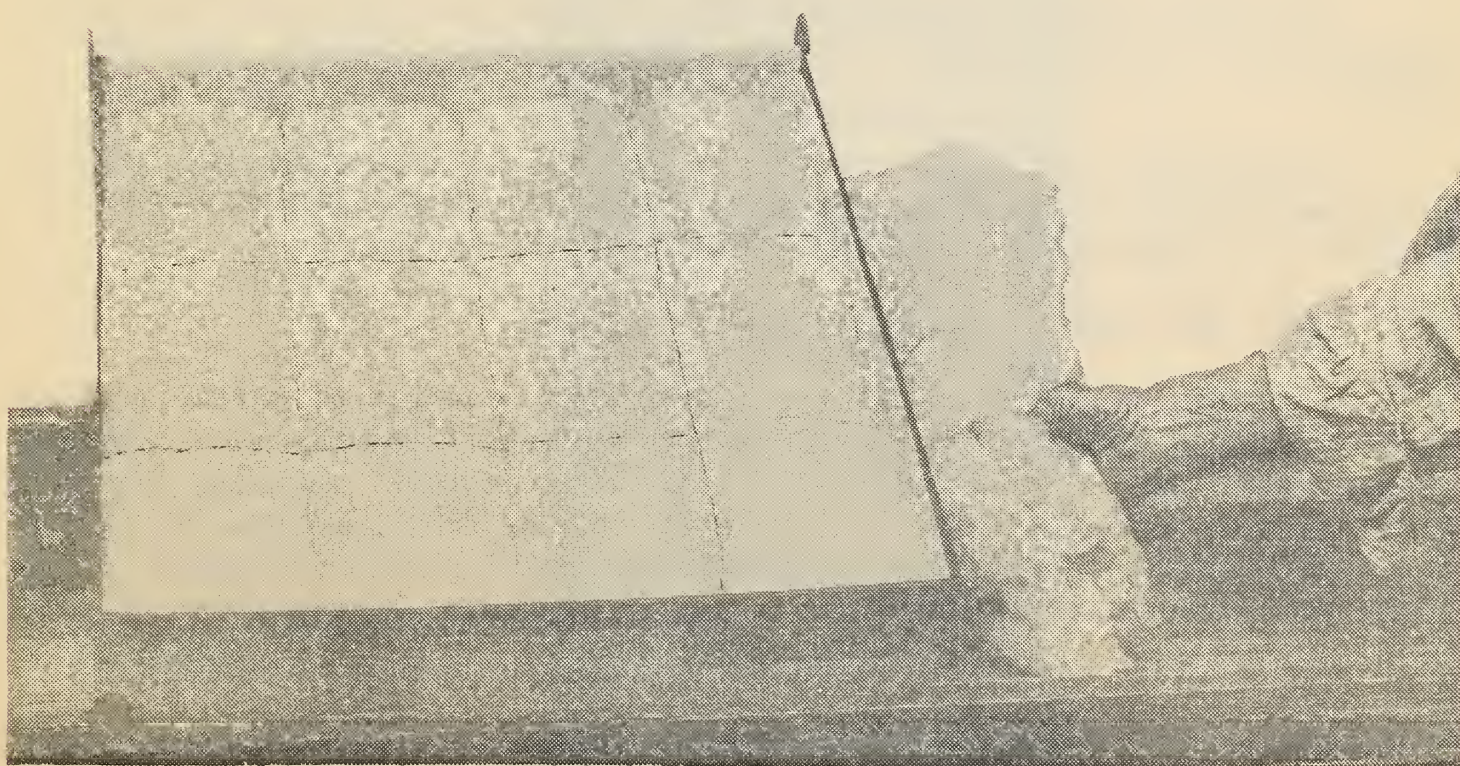


FIGURE 4.- THE PROPER METHOD OF COMPARING SAMPLES WITH THE STANDARDS FOR GRADE.

19.- Q. What is done with the samples when they are received at the classing office?

A. Upon receipt of samples at the classing office, they are laid out on trays and each lot is classified as soon as possible after it has been properly conditioned. Ordinarily, each lot is classified in the order in which it is received. The samples are not returned. They become the property of the Government under the terms of the Smith-Doxey Act.

Classification of Samples According to Grade and Staple Length

20.- Q. What is meant by the classification of cotton?

A. Cotton classification is the determination of the grade and staple length of the cotton in a sample. Classification of cotton by the Agricultural Marketing Service is strictly in accordance with the Official Cotton Standards of the United States (fig. 3, 4, and 5).

21.- Q. What is meant by grade?

A. Grade in cotton is a combination of three factors:

- (1) Foreign matter.
- (2) Color.
- (3) Preparation.

Foreign matter refers to the leaf trash, shale, seeds, motes, dirt, and sand that normally remain to some degree in the lint after ginning. Foreign matter increases in quantity from the higher to the lower grades.

The color in most American cotton is White but there are standard descriptions for Extra White, Spotted, Tinged, Yellow Stained, and Gray cotton.

Preparation denotes the degree of smoothness with which the cotton is ginned and the relative nappiness or neppiness of the ginned cotton. Roughness of preparation reduces the grade of the cotton.

22.- Q. What is the importance of grade?

A. Grade is one of the significant measures of cotton quality. Waste resulting from various manufacturing processes depends to a considerable extent on the grade of cotton used. For example, spinning tests indicate that the average percentage waste varies from less than 7 percent for Good Middling cotton to more than 15 percent for Good Ordinary. These waste percentages are averages for a number of tests and represent the

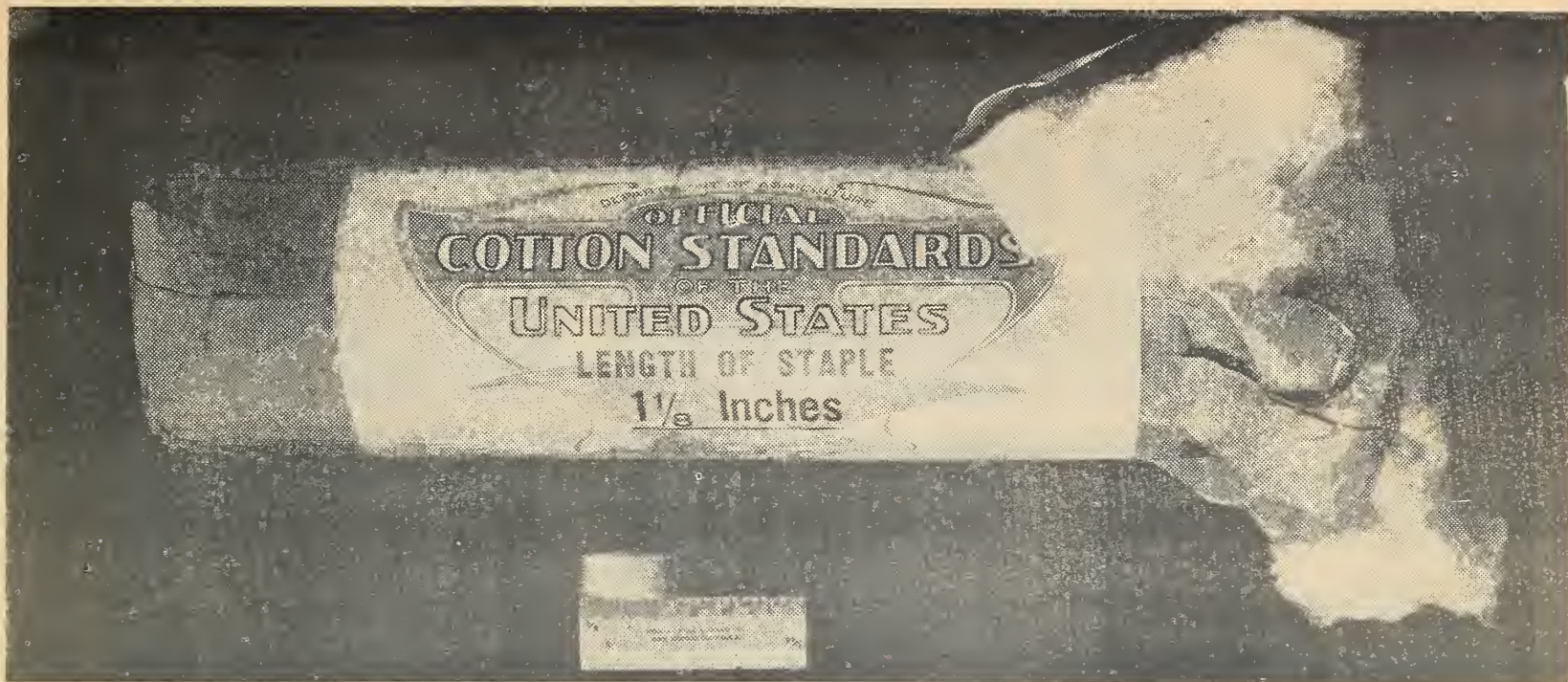


FIGURE 5 - A PRACTICAL FORM OF THE OFFICIAL COTTON STANDARD FOR LENGTH OF STAPLE 1-1/8 INCHES, AND A TYPICAL PULL OF FIBERS FROM THE COTTON.

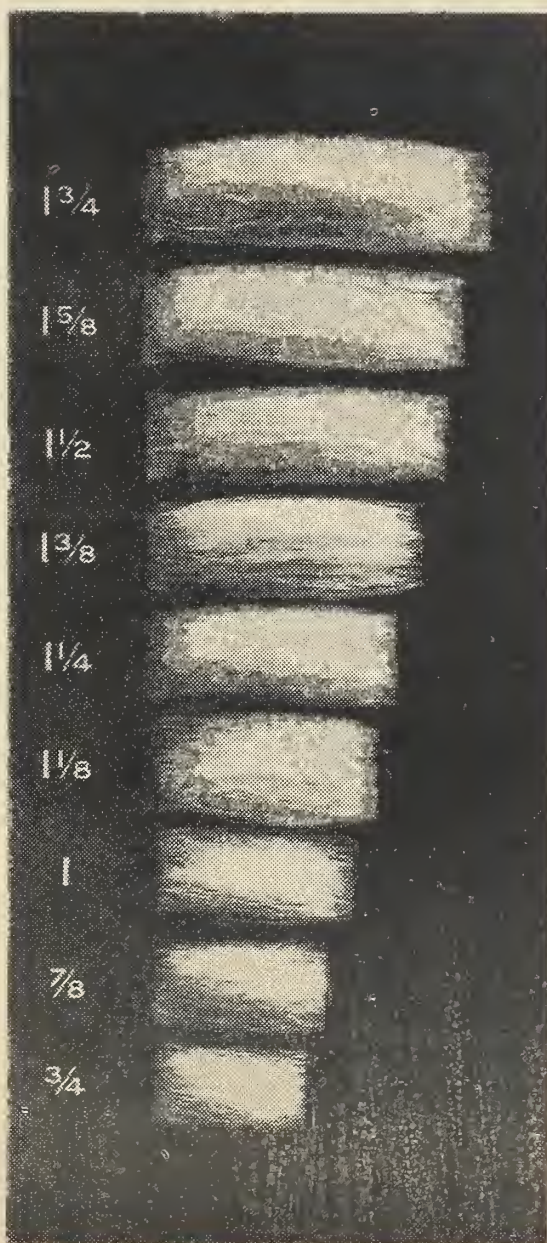


FIGURE 6 - STAPLE LENGTHS. PULLS FROM TYPES REPRESENTING THE OFFICIAL STANDARDS FOR NINE SELECTED LENGTHS OF STAPLE.

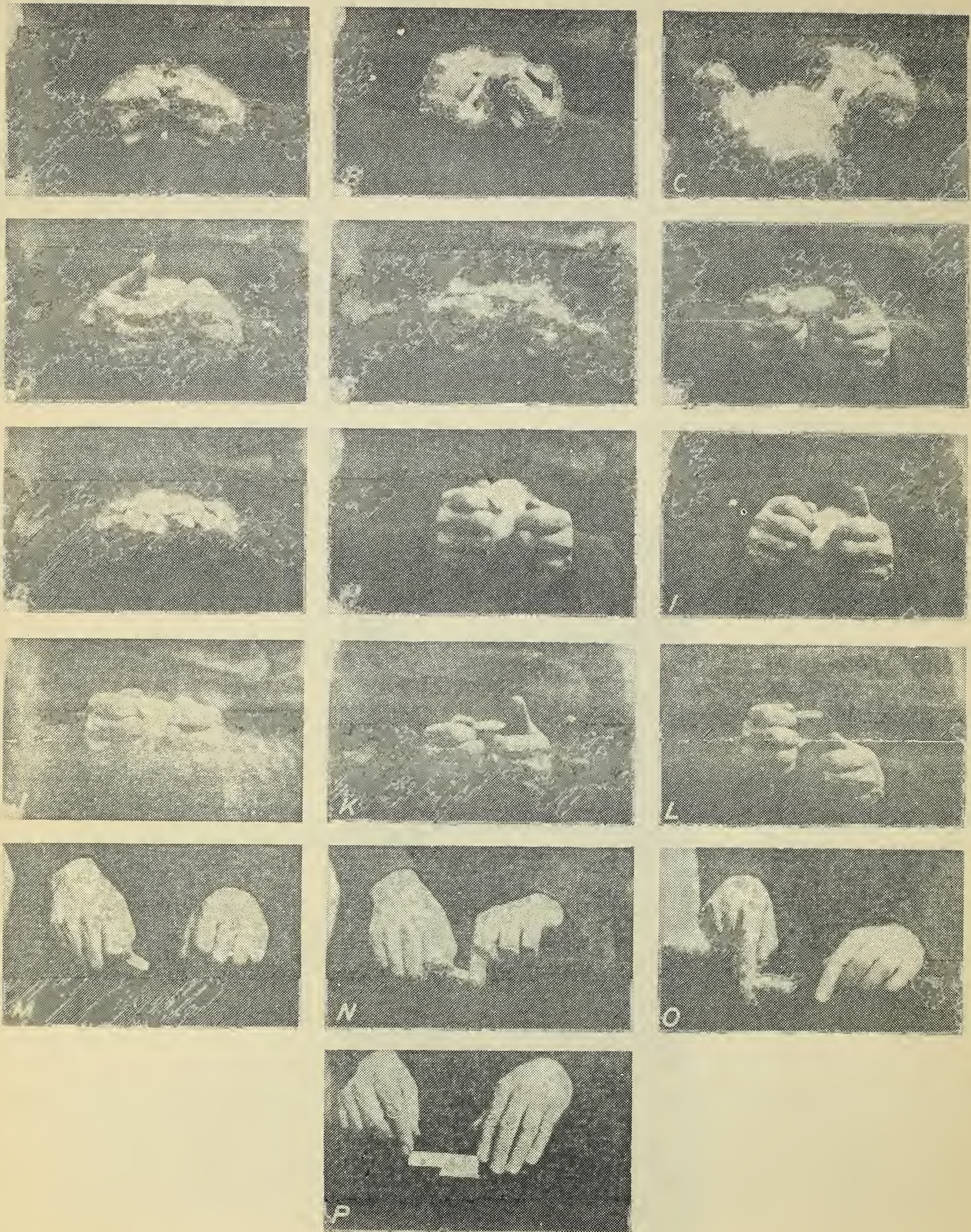


Figure 7- Method of pulling staples.

total visible picker and card waste expressed as a percentage of the weight of cotton spun. These differences in waste percentages, together with other differences in spinning utility, result in substantial variations in prices for different grades of cotton, as indicated by the following prices for 1-inch cotton in the 10 designated markets during the 1938-39 season:

Grade	Average prices for 1-inch cotton, 10 designated markets
<u>White and Extra White</u>	<u>Cents per pound</u>
Strict Good Middling	9.81
Good Middling	9.75
Strict Middling	9.59
Middling	9.24
Strict Low Middling	8.59
Low Middling	7.58
Strict Good Ordinary	6.76
Good Ordinary	6.13

23.- Q. What are some of the factors that affect grade?

A. The grade of cotton is affected by harvesting and ginning practices and by natural factors such as rainfall, drought, frosts, windstorms, insects, and diseases. By prompt and careful picking and by proper handling before ginning farmers produce higher grades of ginned cotton than if seed cotton is carelessly handled. Ginners may improve the grade of cotton by the use of suitable gin machinery, kept in proper adjustment and operated at proper speeds. Care must be exercised so as not to allow bales of high grade cotton to become plated with low grade cotton.

24.- Q. What is meant by staple length?

A. The staple length of cotton is the length by measurement of a typical portion of fibers taken at random from a representative sample of the bale.

The staple lengths for cotton provided in the Official Standards of the United States are "Below $\frac{3}{4}$ inch"; $\frac{3}{4}$ inch; $\frac{13}{16}$ -inch; and $\frac{7}{8}$ -inch and longer, measured in steps of $\frac{1}{32}$ inch. Physical standards (fig. 6) are provided for $\frac{3}{4}$ -inch, $\frac{13}{16}$ -inch, and $\frac{7}{8}$ -inch to $1\frac{3}{8}$ inches, inclusive, for upland cotton. Other staple lengths are descriptive

and fixed by the physical standards for adjacent lengths, except that physical standards are provided for American Upland cotton 1-1/2 inches staple, American-Egyptian and Sea Island cottons having staple lengths of 1-1/2, 1-9/16, 1-5/8, and 1-3/4 inches.

25.- Q. What is the importance of staple length?

A. Staple length is one of the important indicators of the spinning utility of cotton. The longer staples are required for extra-fine and extra-strength yarns. And even in the coarser yarns where the shorter staples are ordinarily used, the longer staples of the same grade and character usually produce superior textile materials at somewhat lower labor and overhead costs as compared with similar materials made from shorter staples. Mainly for these reasons the longer staple cottons sell for a higher price than the shorter staples of the same grade and character. The average price per pound of various staple lengths of Middling cotton in the 10 designated markets during the 1938-39 season was as follows:

Staple length (inches)	Middling
	<u>Cents per pound</u>
13/16	7.77
7/8	8.70
15/16	9.00
1	9.24
1-1/16	9.56
1-1/8 (Memphis, Tenn.) . . .	10.59

26.- Q. What are some of the factors that affect staple length?

A. The staple length of cotton depends to a large degree on the variety of seed planted but variations in growing conditions may affect the length of staple obtained from a given variety of cotton.

27.- Q. What is character?

A. Character of cotton is usually defined as those quality factors not included in grade or staple length. These factors may be described as body, uniformity, strength, fineness of fibers, etc. There are no official standards for character such as those for grade and staple although the official standards for length of staple represent "normal" or "average" character. But character is an important element

in cotton quality and affects its value and spinning utility. In commercial practice, geographical origin is used to a considerable extent to denote character and descriptive terms such as "Atlantics", "Deltas", "Westerns", and "Southwest Irrigated" are often used. Such descriptive terms as "strong", "soft", "weak", "immature", and "perished" are also used to denote character.

28.- Q. Why do competent cotton classers occasionally differ in determining the grade of the same samples or of samples representing the same bales?

A. Among the reasons for differences between competent classers in the grading of the same sample or of samples representing the same cotton are variable and changing light conditions, lack of uniformity within an individual sample or between samples from the same bale, changes in grade characteristics of the same sample due to repeated handling, and differences of opinion as to the grade of so-called borderline samples--those samples which in grade factors are or seem to be "on the line" between adjacent grades. Despite these difficulties the grade classification of cotton shown on the Form 1 cards received by farmers will seldom differ more than one grade if the cotton should be reclassified. Experience has shown that on the average some differences may occur on about 12 to 15 percent of the samples classed. Such differences, of course, tend to average out since the raising of grades on some samples in subsequent classifications offsets the lowering of grades on others. It is this averaging of classifications of large lots of cotton which gives classing the appearance of greater exactness than is known to exist for individual bale classifications.

29.- Q. Why do competent classers differ in determining the staple length of the same samples or of samples representing the same bales?

A. To a considerable extent the reasons just given for differences between classers in grading apply as well to differences in staple determinations. Perhaps the most important reasons for differences in staple length classifications of the same sample or of samples from the same bales are the varying lengths within individual samples and between samples from the same bale, and changing atmospheric conditions, particularly changes in relative humidity. The classification for staple length that farmers receive on Form 1 cards will rarely differ as much as 1/16 inch if the cotton should be reclassified, but experience shows that differences of 1/32 inch on subsequent classifications may occur on about 22 to 25 percent of the samples classed. Variations in classification for staple length also tend to average out since the raising of the staple length of some samples in subsequent classifications offsets the reductions in length on others.

30.- Q. What is being done to improve the classification of cotton?

A. Both the classification and standardization of cotton are subjected to careful and continuous study and to scientific research designed primarily to improve measures and measurements of cotton quality. Improvement in the consistency and uniformity of classification has resulted from the establishment of fixed standards for grade and staple length of American cotton. These standards are prepared by the Agricultural Marketing Service and are agreed upon by representatives from all important branches of the cotton trade and industry. By international agreement representatives of foreign countries consuming the bulk of American-cotton exports also participate in conferences regarding the Universal Standards for grade of American upland cotton. Classers frequently refer to these standards for guidance. Thorough training of classers and careful supervision are also effective means of increasing the accuracy of both commercial and Government classing.

31.- Q. Why is cotton classification necessary?

A. The classification of cotton is necessary because of wide variations in spinning utility and prices of various qualities of cotton. When prices vary from 6.5 cents per pound for Good Ordinary 13/16 inch to 10.5 cents for Strict Good Middling 1-1/16 inches or more, the need for some system of classification according to quality seems apparent. In reality variations in price due to quality are even wider than this. The development of classification and standards for cotton quality grew out of the recognition of these wide differences in value of different qualities of cotton by cotton merchants and mills. The multiplicity of standards and systems of classification gave rise to the establishment of the United States Official Cotton Standards by Federal law. Studies and investigations of prices received by farmers for cotton show that most farmers producing the higher grades and longer staples of cotton are not receiving full premiums for their cotton. The free classification system of the Agricultural Marketing Service places farmers in organized cotton-improvement groups in a position to benefit from the classification of cotton as cotton merchants and mills have benefited over a long period of years.

32.- Q. Where does the grade of the sample appear on the Form 1 classification card?

A. The grade of the sample of member's cotton as classed is written in the lower left-hand corner of the Form 1 classification card.

33.- Q. What is the meaning of the various abbreviations for grade, as SM, M, and SLM?

A. These abbreviations represent the various grades of cotton written on Form 1 cards. SM means White Strict Middling; M means White Middling; SLM means White Strict Low Middling. Abbreviations used to designate the various grades of upland cotton are as follows:

Grade	Extra		Yellow			Gray
	White	White	Spotted	Tinged	Stained	
Middling Fair	MF					
Strict Good Middling	SGM					
Good Middling	GM	GMEW	GMSp.	GMT	GMYS	GMG
Strict Middling	SM	SMEW	SMSp.	SMT	SMYS	SMG
Middling	M	MEW	MSp.	MT	MYS	MG
Strict Low Middling	SLM	SLMEW	SLMSp.	SLMT		
Low Middling	LM	LMEW	LMSp.	LMT		
Strict Good Ordinary	SGO	SGOEW				
Good Ordinary	GO	GOEW				

34.- Q. Where does the staple length of cotton appear on the Form 1 classification card?

A. The staple length in inches or fractions of an inch appears just to the right of grade designations on the Form 1 classification card.

35.- Q. To what does the term "Reduced from a/c" which appears on the Form 1 card refer and what is the explanation of the need for this term?

A. The term "Reduced from a/c" on the Form 1 classification card refers to a reduction in grade or staple because of poor preparation or poor character. Although preparation is one of the elements in the grade of cotton (foreign matter, color, and preparation) it is customary to indicate significant reductions in grade resulting from poor preparation. Poor preparation usually results from ginning wet cotton or from defective or improperly operated gin machinery. Although character is not one of the elements in the grade or staple length of cotton it is customary to indicate significant reductions in staple length resulting from poor character. Poor character may result from a number of different factors among which are weak staple, lack of uniformity in staple length, coarse fibers, and immaturity of fibers. Variations in character apparently arise in part from varietal differences but climatic and other growing conditions are also known to influence character in cotton.

36.- Q. What does the grade or staple designation written under "Reduced from a/c" mean?

A. The grade or staple written under "Reduced from a/c" on the Form 1 classification card is the grade or staple that the cotton would have been except for the stated quality defect. This grade or staple is not to be confused with the specified grade or staple of the sample written in the left-hand corner of the card.

37.- Q. What is written under "Remarks" in the lower right-hand corner of the Form 1 classification card?

A. An explanation of or the reason for any reduction in grade or staple referred to in section 36 is written on the Form 1 card in the space under "Remarks." Some of the explanations that may be written under "Remarks" are as follows:

"Gin cut" means that the cotton has been reduced in value more than two grades because of excessive "cutting" by gin saws.

"Rough prep" means that the grade of the cotton has been reduced in value less than two grades because of improper ginning.

"Immature" means that the cotton was picked and ginned before the fiber had reached a normal state of maturity and that its staple is relatively weak and of inferior value.

"Weak staple" means that the cotton has a staple of less than normal strength.

38.- Q. How soon will members receive Form 1 classification cards after their cotton is sampled?

A. Experience with the classification service for the crops of 1938 and 1939 indicates that the average time required for returning Form 1 cards is likely to vary from 36 to 72 hours, depending upon the following:

- (1) Promptness with which samples are shipped by local representatives.
- (2) Time required for transporting samples to classing offices.
- (3) Time required for conditioning samples at classing offices.
- (4) Time required for classing and recording classification on Form 1 cards.
- (5) Time required for cards to reach grower-members through the mail.

Table 1.- CODE FOR CLASSIFICATION OF THE COTTON CROP OF 1940

A. GRADES AND COLORS:

1. <u>Upland</u>	<u>Code</u>	2. <u>American-Egyptian (Pima and SXP)</u>	<u>Code</u>
<u>Extra White</u>		No. 1	1
Good Middling	31	No. 1½	2
Strict Middling	41	No. 2	3
Middling	51	No. 2½	4
Strict Low Middling	61	No. 3	5
Low Middling	71	No. 3½	6
Strict Good Ordinary ...	81	No. 4	7
Good Ordinary	91	No. 4½	8
		No. 5	9
		Below grade	10
<u>White</u>		Pima and SXP will be designated as "10" and "30", respectively, in the space where color is shown for upland cotton.	
Middling Fair	12		
Strict Good Middling ...	22		
Good Middling	32		
Strict Middling	42		
Middling	52		
Strict Low Middling	62		
Low Middling	72		
Strict Good Ordinary ...	82		
Good Ordinary	92		
<u>Spotted</u>		3. <u>Sea-Island (U. S. Growth)</u>	<u>Code</u>
Good Middling	33	No. 1	1
Strict Middling	43	No. 1½	2
Middling	53	No. 2	3
Strict Low Middling	63	No. 2½	4
Low Middling	73	No. 3	5
		No. 3½	6
<u>Tinged</u>		No. 4	7
Good Middling	34	No. 4½	8
Strict Middling	44	No. 5	9
Middling	54	No. 5½	10
Strict Low Middling	64	No. 6	11
Low Middling	74	Below grade	12
<u>Yellow Stained</u>		Sea-Island cotton will be designated "20" in the space where color is shown for upland cotton.	
Good Middling	35		
Strict Middling	45		
Middling	55		
<u>Gray</u>		B. <u>PREPARATION</u>	<u>Code</u>
Good Middling	36	1. <u>Cotton shorter than 1-1/8 inches</u>	
Strict Middling	46	Smooth	1
Middling	56	Normal	2
Below grade	107	No. 1 Reduced one grade	3
		No. 2 Reduced two grades	4
		No. 3 Reduced more than two grades (Gin cut)	5
		2. <u>Cotton 1-1/8 inches and longer</u>	
		A	1
		B	2
		C	3
		D	4
		Gin cut	5

Terms "Bright" and "Light Spot" will be designated by " + " and "L" respectively, following the grade and color code as "52+" and "53 L".

39.- Q. What information is returned to local representatives regarding the classification of members' samples?

A. Local representatives receive a classification sheet showing the grade and staple of all samples received by the classing office. Ordinarily, the local representative should receive this classification sheet, which will be in code, at about the same time members receive their Form 1 classification cards through the mail. The classification sheet shows, in code, the various staple lengths, grades and colors, but it does not show them by name. Information for interpreting grades on these classification sheets is shown in table 1.

Staple lengths are designated by number--each number designating that many thirty-seconds of an inch, as follows:

22 means "No staple"	41 means 41/32 or 1-9/32 inches
23 " "below 3/4 inch"	42 " 42/32 or 1-5/16 "
24 " 24/32 or 3/4 inch	43 " 43/32 or 1-11/32 "
26 " 26/32 or 13/16 inch	44 " 44/32 or 1-3/8 "
28 " 28/32 or 7/8 "	45 " 45/32 or 1-13/32 "
29 " 29/32 or 29/32 "	46 " 46/32 or 1-7/16 "
30 " 30/32 or 15/16 "	47 " 47/32 or 1-15/32 "
31 " 31/32 or 31/32 "	48 " 48/32 or 1-1/2 "
32 " 32/32 or 1 inch	49 " 49/32 or 1-17/32 "
33 " 33/32 or 1-1/32 inches	50 " 50/32 or 1-9/16 "
34 " 34/32 or 1-1/16 "	51 " 51/32 or 1-19/32 "
35 " 35/32 or 1-3/32 "	52 " 52/32 or 1-5/8 "
36 " 36/32 or 1-1/8 "	53 " 53/32 or 1-21/32 "
37 " 37/32 or 1-5/32 "	54 " 54/32 or 1-11/16 "
38 " 38/32 or 1-3/16 "	55 " 55/32 or 1-23/32 "
39 " 39/32 or 1-7/32 "	56 " 56/32 or 1-3/4 "
40 " 40/32 or 1-1/4 "	

40. Q. What is the code for Strict Middling 15/16 inch cotton?

A. The code for Strict Middling 15/16 inch cotton is 42 - 30. The figure 4 in "42" indicates the grade Strict Middling and the figure "2" the color White. The number "30" indicates thirty-second inches.

41. Q. What is the code for Strict Low Middling Tinged 1-1/16 inches?

A. The code for Strict Low Middling Tinged 1-1/16 inches is 64 - 34. The figure "6" refers, in "64", to the grade Strict Low Middling and the figure "4" to the color Tinged. The number "34" indicates thirty-second inches.

42. Q. What is the code for American-Egyptian Pima No. 2 $\frac{1}{2}$, 1-9/16 inches?

A. The code for American Egyptian Pima, No. $2\frac{1}{2}$, 1-9/16 inches is 410 - 50. The figure "4" in "410" refers to grade No. $2\frac{1}{2}$, and the number "10" indicates Pima. The number "50" indicates thirty-second inches.

43. Q. What does the term "no staple" mean?

A. "No staple" means that the character of the cotton in the sample is so poor (weak, irregular, immature, etc.) that no staple length can be assigned to it.

44. Q. What does the term "below grade" mean?

A. "Below grade" means that the grade of the cotton in the sample is lower than the lowest grade in the official standards. For upland cotton to be designated as "below grade" the sample would be lower in grade than any of the following: (1) Good Ordinary White or Extra White, (2) Low Middling Spotted, (3) Low Middling Tinged, (4) Middling Yellow Stained, and (5) Middling Gray.

45. Q. How should classification sheets be used?

A. Classification sheets may be used by representatives to furnish members with the grade and staple length of their cotton in case they fail to receive or misplace Form 1 classification cards. Classification sheets may also be used to make comparisons of the quality of cotton produced in each community from one season to another and in the preparation of press releases. A comparison of these sheets for different seasons will reveal changes in the grade and staple length of cotton produced and the extent to which uniformity of staple length is achieved within organized communities. It is also essential for the group representative and group leaders to have information on the quality of cotton produced by various members so that they may encourage improved harvesting and ginning methods. It is apparent that for group leaders to be of maximum service to the organization, a complete and permanent file of classification sheets should be kept.

46. Q. Will duplicate Form 1 cards be issued?

A. Duplicate Form 1 classification cards will be issued upon proper request from a member who has lost or failed to receive his card. Such request, however, should be accompanied by the bale number or sample identification and an explanation of why such duplicate card is needed and the reason for not obtaining the grade and staple length of the sample in question from the classification sheet returned to the member's group representative.

Cotton Market News Service

47. Q. What price quotations does a member of an organized group need in order to bargain effectively for the full value of the grades and staples he has for sale?

A. A member needs all price information that has a bearing on prices in his local market. Such information should include premiums and discounts for grade and staple length. It should be used to ascertain the approximate local market price for each quality of cotton a member has for sale.

48. Q. How can group representatives assist members in obtaining accurate price quotations in local markets?

A. Group representatives may figure the approximate price of the grade and staple length of cotton that members have to sell from cotton futures prices, central market price quotations, and from available local price quotations. Prices arrived at in this manner are in the nature of appraisals and do not necessarily mean that members will receive exactly those prices in every instance. In some cases, they may receive slightly more, in others slightly less than the indicated value of their cotton. In any event, the group representative should stress the point that, in the absence of some special arrangement for the sale of the group's cotton, each member must find a buyer and do his own bargaining, using price quotations and Form 1 classification cards as guides.

49. Q. Why are actual prices likely to vary somewhat from those quoted at a given time?

A. Price quotations for both local and central markets are approximations of actual values and are in the nature of averages for each grade and staple length. There is a range within each grade and cotton on the high side of the grade may sell for somewhat more than cotton on the low side of the same grade. The character of cotton also affects values and the use to which buyers intend to put cotton of a particular character may result in higher prices for one farmer's cotton than for another's cotton of the same grade and staple length. Character, however, should not vary greatly within a single one-variety community. Price quotations are guides for bargaining and are not "iron-clad" measures of value which can be obtained under all circumstances.

50. Q. How should cotton futures prices be used in figuring local market prices?

A. Group representatives or members of organized groups may use cotton futures prices in figuring local market prices in much the same way that local buyers use them. Ordinarily, local buyers base their offers to buy on futures prices. Upward and downward swings in offers from day to day generally reflect changes in futures prices. For that reason, it is important for group representatives and members to understand and to keep posted on current cotton futures prices.

51.- Q. What are cotton futures prices?

A. Cotton futures prices are price quotations for actual transactions in cotton futures contracts. These prices reflect the price of Middling 15/16-inch cotton to be delivered during designated periods. The seller, however, has the privilege of delivering other specified grades and staple lengths with certain additions or deductions in prices. The exact details of the qualities of cotton tenderable on a contract may be obtained by writing the Agricultural Marketing Service, Washington, D. C., but it is not essential to know those details to make use of price quotations for cotton futures contracts.

52.- Q. What are cotton futures contracts?

A. Cotton futures contracts represent transactions in which the seller agrees to deliver and the buyer agrees to receive a specified quantity of cotton at a designated future time in accordance with rules and by-laws of the exchange upon which the contract is made, and in accordance with the United States Cotton Futures Act as amended. The contract provides for the delivery of the equivalent of approximately 50 or 100 bales depending upon its terms. It provides that cotton may be delivered at certain designated delivery points but only one such point may be used in making delivery on any one contract.

53.- Q. What are cotton futures markets?

A. Cotton futures markets are markets in which there are organized exchanges where cotton is bought and sold for future delivery. In the United States, cotton futures exchanges are the New York Cotton Exchange, the New Orleans Cotton Exchange, and the Chicago Board of Trade.

54.- Q. How can group representatives and members of organized groups obtain current cotton futures prices?

A. Group representatives and members of organized groups may obtain current cotton futures prices from the following sources:

- (1) Radio
- (2) Daily newspapers.
- (3) Telegraph services.
- (4) Reports of the Agricultural Marketing Service.
- (5) Cotton brokerage offices.

55.- Q. How may current cotton futures prices be obtained by radio?

A. The Agricultural Marketing Service has arranged to furnish cotton futures price quotations to radio stations throughout most of the Cotton Belt. These prices are broadcast at regular intervals throughout the day in many areas, especially in those sections where cotton farmers and others seem sufficiently interested to justify such broadcasts. In most instances, broadcasts are made four times daily--at or about 9:10 A.M., 11:10 A.M., 1:10 P.M., and 2:10 P.M., central standard time. Any one having access to a radio may obtain these prices. In many sections of the Cotton Belt, certain radio stations broadcast cotton futures prices at more frequent intervals during the day. Schedules of radio broadcasts should be posted on bulletin boards in local communities and detailed information may be obtained by writing branch offices of the Agricultural Marketing Service.

56.- Q. Where can cotton futures prices be found in daily newspapers and in what form are they published?

A. The larger daily newspapers in all cotton-growing States publish cotton futures prices daily. Afternoon papers may publish prices for the same day that the newspaper is published. Morning papers publish futures prices for the previous day. The following table showing cotton futures prices quoted for the New York market in cents per pound, on the morning of April 6, 1940, for April 5 with comparisons for the previous day illustrates the form in which these prices may be published:

Month	Open	High	Low	Close	Previous close
May	10.77	10.81	10.79	10.80	10.78
July	10.58	10.58	10.58	10.57	10.55
October	9.89	9.89	9.86	9.88	9.86
December	9.72	9.74	9.71	9.71	9.69
January	9.69	9.69	9.69	9.67	9.65
March	9.60	9.60	9.57	9.57	9.55

These price quotations usually appear at the end of a news story about the cotton market. The months at the left of this table indicate months in which each futures contract quoted matures. May, July, October, and December relate to 1940 and January and March to 1941. The first column headed "open" shows quotations for the first contracts in each month traded in after the opening of the market. Figures under "high" are the

highest prices for which contracts sold during the day and those under "low" are the lowest prices for the day. Prices under "close" show the price at which contracts sold at the close of the market for each month and those under "previous close" are corresponding prices for the close of the market on the preceding day.

57.- Q. Is it practical for group representatives to obtain cotton futures prices from telegraph services?

A. Telegraph services furnish the most up-to-date prices on cotton futures available. Quotations are furnished by this service every quarter hour during the day. Such direct wire services may be practical for some groups in the larger local markets but in the smaller ones the service is probably too expensive. The larger groups might investigate the possibility of obtaining this service and smaller groups may be able to obtain the service from local cotton buyers.

58.- Q. Does the Agricultural Marketing Service publish any reports showing cotton futures prices?

A. The Agricultural Marketing Service publishes daily and weekly reports showing cotton futures prices along with other price and market information. These reports may be obtained free upon request as indicated in sections 84 and 85. Such price quotations, however, must be sent through the mail and will not be strictly current even when daily reports are received.

59.- Q. What are the possibilities of obtaining current cotton futures prices from brokerage offices?

A. In the larger local markets, cotton futures prices are posted on bulletin boards in cotton or commodity brokerage offices. These boards are frequently accessible to the general public and in some instances the membership of organized groups may find it practical to use this source for cotton futures price quotations.

60.- Q. Should price quotations for the near-active futures months be used by group representatives and members of organized groups in figuring local prices?

A. Ordinarily, price quotations for the near-active futures months should be used in figuring prices in local markets. Near-active cotton futures prices are quotations for futures contracts which call for delivery of actual cotton in the month nearest to the time the quotation is made. The active futures months are July, October, December, January, March, and May. Early in the cotton-marketing season, that is, during

August and September, the near-active futures month is October. During October and November, the near-active month is December. And for December, January, and February, the near-active futures month is usually March. In some instances, January may be the near-active month during late November and December but usually the volume of trading is so small in January futures that it is not used as a near-active month.

61.- Q. Do cotton futures prices indicate local prices in the absence of information on local values for various qualities of cotton?

A. Cotton futures prices are useful as indicators of fluctuations in cotton prices but they must be adjusted to specific qualities of cotton and for given local markets for use in indicating approximate local market prices. The factor used in making these adjustments is called the "basis".

62.- Q. What is meant by "basis?"

A. "Basis" usually refers to the difference in points per pound between cotton futures prices quoted on some given cotton futures exchange and spot prices (prices for actual cotton) in some specified cotton market. The "basis" is usually expressed in points on or off the price quotation for the near-active futures month. Points mean hundredths of a cent--1 point equals 5 cents per 500-pound bale. "On" indicates that the basis should be added to the futures price quotations and "off" indicates that it should be subtracted.

63.- Q. What are the chief sources of information that should be used in determining the basis in local markets?

A. There are three chief sources of information available for determining the basis in local markets:

(1) Transportation and other costs--(insurance, compression, handling, merchandising profit, etc.) to ship cotton from local markets to mill centers or ports.

(2) The basis in central markets and in other nearby local markets.

(3) Buying limits or offers of local cotton buyers.

64.- Q. Illustrate the form in which cotton futures prices, basis, and premiums and discounts for grade and staple may be set up for practical use of organized groups in local markets.

A. The following illustration shows the way in which cotton futures prices, basis, and premiums and discounts for grade and staple lengths may be set up for practical use of organized groups in local markets. The basis for Middling 15/16 inch in this example is 30 points off May. The other figures in the table are premiums and discounts in points on or off the local market price for Middling 15/16 inch.

April 5, 1940

	<u>Open</u>	<u>11:00 A.M.</u>	<u>12:00 Noon</u>	<u>Close</u>
<u>Futures prices, May, New York:</u>	10.77	10.81	10.79	10.80

Local basis--Middling 15/16 inch--30 points off May New York

<u>Grade</u>	<u>13/16"</u>	<u>7/8"</u>	<u>15/16"</u>	<u>1"</u>	<u>1-1/16"</u>	<u>1-3/32"</u>	<u>1-1/8"</u>
	<u>Points</u>	<u>Points</u>	<u>Points</u>	<u>Points</u>	<u>Points</u>	<u>Points</u>	<u>Points</u>
Strict Middling	50 off	15 on	30 on	45 on	65 on	85 on	220 on
Middling	75 off	20 off	BASE	15 on	35 on	50 on	160 on
Strict Low Middling	125 off	65 off	50 off	35 off	20 off	5 on	40 on

65.- Q. Illustrate the way in which actual market prices are computed, using the cotton futures prices, the basis, and grade and staple premiums and discounts.

A. The information presented in the form illustrated in section 64 may be used to compute local prices as follows:

<u>Strict Middling 1-inch</u>		
<u>Computed at the closing cotton futures price</u>		<u>Cents</u>
May futures (New York)		10.80
Basis (30 points off May)		.30
Local market price for Middling 15/16 inch (base)		10.50
Premium for Strict Middling 1-inch--45 points on		.45
Local market price for Strict Middling 1-inch		10.95

<u>Strict Low Middling 13/16 inch</u>		
<u>Computed at the noon cotton futures price</u>		<u>Cents</u>
May futures (New York)		10.79
Basis (30 points off May)		.30
Local market price of Middling 15/16" (base)		10.49
Discount for Strict Low Middling 13/16"--125 points off		1.25
Local market price for Strict Low Middling 13/16"		9.24

If this is used, local market prices may be computed at any time of the day and for any grade or staple of cotton for which quotations appear in the form illustrated in section 64.

66.- Q. Is there another form for presenting price information that may be used in computing local market prices?

A. Another form of presenting price information in local markets is as follows:

April 5, 1940

	<u>Open</u>	<u>11:00 A.M.</u>	<u>12:00 Noon</u>	<u>Close</u>
<u>Futures prices</u> , May, New York	10.77	10.81	10.79	10.80
<u>Local basis</u> , Middling 15/16", 30 points off May, New York.				

Grade	13/16"	7/8"	15/16"	1"	1-1/16"	1-3/32"	1-1/8"
	<u>Points</u>	<u>Points</u>	<u>Points</u>	<u>Points</u>	<u>Points</u>	<u>Points</u>	<u>Points</u>
Strict Middling	80 off	15 off	Even	15 on	35 on	55 on	190 on
Middling	105 off	50 off	30 off	15 off	5 on	20 on	130 on
Strict Low Middling	155 off	95 off	80 off	65 off	50 off	25 off	10 on

Presented in this way, each price difference is a basis, or the difference between the near-month futures price and local prices for spot cotton. That is, grade and staple premiums and discounts are adjusted to the price level in the local market. In this example, all grade and staple differences (section 64) are adjusted downward by subtracting 30 points.

67.- Q. Illustrate the way in which the basis for local market A (not a mill point) may be computed.

A. The prices and differences presented in section 66 may be used to compute local prices as follows:

<u>Strict Middling 1-inch</u>		<u>Cents</u>
<u>Computed at the closing cotton futures price</u>		
May futures (New York)		10.80
Basis for Strict Middling 1-inch (15 points on)		<u>.15</u>
Local market price for Strict Middling 1-inch		10.95

Strict Low Middling 13/16-inch
Computed at the noon cotton futures price

	<u>Cents</u>
May futures (New York)	10.79
Basis for Strict Low Middling 13/16" (155 points off)	<u>1.55</u>
Local market price for Strict Low Middling 13/16"	9.24

68.- Q. How can the basis be determined in local markets?

A. The basis for any particular quality of cotton in a given local market is determined by the outlets for the cotton produced and transportation and handling costs to those outlets. In localities where local mill consumption equals or exceeds production, such as is the case in southeastern mill points, the local price of Middling 15/16 inch is frequently higher than prices for near-active futures. This may also be true when there is a general scarcity of spot cotton. In such instances, the basis for Middling 15/16 inch will be a given number of points on the price of the near-active futures contracts. But in most local markets, especially those in the central and western parts of the cotton belt, the local price of Middling 15/16-inch is usually lower than the price of near-month futures. In these markets, the basis for Middling 15/16-inch will be a given number of points off prices for near-month futures contracts.

69.- Q. Illustrate the way in which approximate costs of transportation, handling, and other items may be figured.

A. The method of figuring costs of transportation, handling, and other items may be illustrated as follows for local market (A) from which all cotton moves to Houston, Texas:

	<u>Points per pound</u>
Freight from local market (A) to Houston	60
Handling charges (loading and unloading)	6
Interest, insurance, exchange, etc.	6
Merchandising profit (assumed for illustration)	<u>15</u>
Transportation and handling costs	87

70.- Q. Illustrate the method of figuring the basis for local market (A) (not a mill point).

A. The basis for local market (A) (not a mill point) may be computed as follows:

	<u>Cents per pound</u>
Houston price for Middling 15/16 inch	11.37
Transportation costs and other items to get cotton from market (A) to Houston	<u>.87</u>
Local market price for Middling 15/16 inch	10.50
May futures price (New York)	10.80
Local market price for Middling 15/16 inch	<u>10.50</u>
Basis for Middling 15/16 inch (May, New York)	.30 off

The basis figured in this way should be carefully checked against actual prices offered and paid for cotton in market (A) and against prices in central and in nearby local markets.

71.- Q. How can the basis be figured for mill points where cotton does not move to some central market but is bought and consumed locally?

A. In mill points, costs for transportation, handling, and other items for local cotton are of little importance. The basis in these markets may be figured from the basis in nearby local markets and from bids and offers in the markets quoted.

72.- Q. How can the grade and staple price differences for various qualities of cotton be determined in local markets?

A. When quoting grade and staple price differences for local markets, the following information will be of assistance:

(1) Central market grade and staple differences furnished by the Agricultural Marketing Service.

(2) Grade and staple differences in nearby local markets.

(3) Offers to buy or sell and actual prices paid for various qualities of cotton in the local market.

All of these sources of information should be used in computing local market differences for various grades and staple lengths because no one source necessarily indicates the correct differences for a given local market.

73.- Q. What price quotations on grade and staple are furnished by the Agricultural Marketing Service?

[illegible]

Figure 8.-An illustration of a bulletin board suggested for use in organized groups.

Board specification - 3'3" x 3'2"
(Scale of example - 2" = 1')

A. Price quotations for grade and staple differences in central markets will be furnished daily from branch offices of the Agricultural Marketing Service. Forms of these difference sheets are illustrated by quotations for the Memphis and Dallas markets shown in tables 2 and 3.

Central market price quotations for grade and staple differences are released from branch offices as follows:

<u>From Atlanta, Georgia</u>	<u>From Memphis, Tennessee</u>	<u>From Dallas, Texas</u>
Norfolk, Virginia	Memphis, Tennessee	Dallas, Texas
Savannah, Georgia	Little Rock, Arkansas	Houston, Texas
Augusta, Georgia	New Orleans, Louisiana	Galveston, Texas
Montgomery, Alabama		

Price differences for cotton grown in the irrigated districts of Texas, New Mexico, and Arizona will be issued daily from El Paso, Texas. Differences for cotton grown in California will be released from Bakersfield, California.

74.- Q. Should central market price differences be posted in local markets?

A. Price differences for central markets should be posted so that members of the group may see them daily. In local markets where it is impractical to quote local prices, these central market price differences may be the only information available to group members for various grades and staples. Therefore, it is essential that differences for central markets be promptly posted.

75.- Q. What are the duties and responsibilities of group representatives in quoting and posting the local basis and grade and staple differences along with cotton futures prices?

A. The group representative is responsible for working out a method for determining and quoting the basis and differences in each local market. The group representative is also responsible for making this information, along with cotton futures price quotations, available to members. In most cases, this can probably best be done by posting quotations in some public place. It is essential that all price information be kept up-to-date. Futures prices should be posted as they are received during the day. Central market price differences and other market information furnished by the Agricultural Marketing Service should be posted as it is received. Necessary changes should be made from time to time in local price differences and basis.

A bulletin board suitable for this purpose is illustrated in figure 8.

TABLE 2.-

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
BOX 363
MEMPHIS, TENN.

December 16th, 1939

COTTON PRICE QUOTATIONS FOR THREE DESIGNATED MARKETS
FOR USE IN POSTING BULLETIN BOARD

Following are cotton price quotations for three designated markets based on information reported to Agricultural Marketing Service for qualities equal to official grade and staple standards. For spot prices in cents per pound add points "on" to and subtract points "off" from futures price indicated. =====
MEMPHIS, TENN. Basis Mid. lists, flat, in whse., based March New York @ 10.96¢

WHITE	15/16"	31/32"	1"	1-1/32"	1-1/16"	1-3/32"	1-1/8"	1-5/32"	1-3/16"
G.Mid.	15 on	20 on	25 on	35 on	50 on	70 on	215 on	320 on	410 on
S.Mid.	5 on	10 on	15 on	25 on	40 on	60 on	120 on	295 on	385 on
MIDDLING	20off	15off	10off	Even	10 on	30 on	140 on	245 on	335 on
S.L.Mid.	70off	65off	60off	45off	35off	20off	50 on	100 on	130 on
L.Mid.	155off	155off	155off	155off	145off	130off	80off	45off	40off
S.G.Ord.	240off	240off	240off	240off	240off	235off	195off	160off	155off
G.Ord.	290off	290off	290off	290off	290off	285off	250off	225off	220off

SPOTTED

G.Mid.	10off	5off	Even	10 on	20 on	40 on	125 on	215 on	270 on
S.Mid.	20off	15off	10off	Even	10 on	30 on	120 on	205 on	260 on
MIDDLING	70off	65off	60off	50off	40off	20off	35 on	80 on	110 on
<u>S.L.Mid.</u>	<u>155off</u>	<u>155off</u>	<u>155off</u>	<u>155off</u>	<u>145off</u>	<u>130off</u>	<u>85off</u>	<u>55off</u>	<u>45off</u>

LITTLE ROCK, ARK Basis Mid. lists, flat, in whse., based March New York @ 10.96¢

WHITE	7/8"	29/32"	15/16"	31/32"	1"	1-1/32"	1-1/16"	1-3/32"	1-1/8"
G.Mid.	10off	5off	5 on	15 on	30 on	40 on	55 on	-----	-----
S.Mid.	25off	10off	5off	5 on	20 on	30 on	45 on	-----	-----
MIDDLING	50off	40off	30off	20off	10off	Even	15 on	-----	-----
S.L.Mid.	100off	90off	80off	70off	60off	50off	35off	-----	-----
L.Mid.	180off	170off	160off	150off	140off	130off	115off	-----	-----
S.G.Ord.	250off	245off	245off	245off	240off	240off	240off	-----	-----
G.Crd.	300off	295off	295off	295off	290off	290off	290off	-----	-----

SPOTTED

G.Mid.	40off	30off	20off	10off	Even	10 on	20 on	-----	-----
S.Mid.	55off	45off	35off	20off	15off	5off	5 on	-----	-----
MIDDLING	105off	90off	80off	70off	70off	70off	55off	-----	-----
<u>S.L.Mid.</u>	<u>185off</u>	<u>175off</u>	<u>165off</u>	<u>165off</u>	<u>165off</u>	<u>165off</u>	<u>155off</u>	<u>-----</u>	<u>-----</u>

Note: This is only part of a sample difference sheet.

TABLE 3.-

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

500 Federal Bldg., Dallas, Texas
December 16, 1939

BASE PRICE AND DIFFERENCES AS REPORTED TO THE U.S.D.A. FOR MARKETS DESIGNATED BELOW. BASIS MIDDLING LISTS, FLAT IN WAREHOUSES. IF QUOTATIONS AT PORTS ARE USED FREIGHT AND OTHER HANDLING CHARGES SHOULD BE DEDUCTED IN ARRIVING AT LOCAL PRICES.

DALLAS - Middling 15/16 basis today is 23 points off March (Old) N.Y. futures.

GRADE	Staple					
	13/16"	7/8"	15/16"	1"	1-1/32"	1-1/16"
WHITE						
Good Middling	45 off	15 on	35 on	55 on	65 on	75 on
Strict Middling	55 off	5 on	25 on	45 on	55 on	65 on
MIDDLING	80 off	20 off	10.73	20 on	30 on	40 on
Strict Low Middling	125 off	65 off	45 off	25 off	15 off	5 off
Low Middling	205 off	145 off	125 off	105 off	95 off	95 off
Strict Good Ordinary	280 off	220 off	200 off	180 off	180 off	180 off
Good Ordinary	355 off	295 off	275 off	255 off	255 off	255 off
SPOTTED						
Good Middling	75 off	25 off	5 on	25 on	35 on	45 on
Strict Middling	95 off	45 off	15 off	5 on	15 on	25 on
Middling	155 off	95 off	75 off	55 off	45 off	45 off
Strict Low Middling	255 off	180 off	160 off	140 off	135 off	135 off

LUBBOCK, TEXAS: Middling 15/16 basis today is 70 points off March (Old) N.Y. futures.

GRADE	Staple					
	13/16"	7/8"	15/16"	1"	1-1/32"	1-1/16"
WHITE						
Strict Middling	40 off	Even	20 on	40 on	50 on	60 on
MIDDLING	60 off	20 off	10.26	20 on	30 on	40 on
Strict Low Middling	95 off	55 off	35 off	15 off	5 off	5 on
SPOTTED COTTON is quoted at about 30 points below White Cotton.						

OKLAHOMA CITY - Middling 15/16 basis today is 45 points off March (Old) N.Y. futures.

GRADE	Staple					
	13/16"	7/8"	15/16"	1"	1-1/32"	1-1/16"
WHITE						
Strict Middling	35 off	Even	15 on	45 on	55 on	65 on
MIDDLING	55 off	20 off	10.51	15 on	25 on	35 on
Strict Low Middling	85 off	45 off	40 off	25 off	20 off	15 off
SPOTTED COTTON is quoted at about 35 points below White Cotton.						

Note: This is only part of a sample difference sheet.

76.- Q. To what extent can field representatives of the Agricultural Marketing Service assist in quoting local market prices?

A. Since it is not feasible for field representatives to call on local markets more than once or twice a month, it is impossible for the Agricultural Marketing Service to take responsibility for quoting local market prices. Assistance by field representatives will ordinarily be along the following lines:

(1) To explain the use of the market news service furnished by the Agricultural Marketing Service to organized groups.

(2) To make sure that group leaders receive all available price quotations and other market information.

(3) To furnish group representatives with general market information from nearby local markets.

(4) To explain the service to local cotton buyers and encourage cooperation between buyers and organized groups.

77.- Q. How can members of organized groups assist in quoting local market prices?

A. Members should cooperate with group representatives in quoting local market prices by furnishing complete information on offers and prices received by them for various qualities of cotton. This cooperation is essential to quoting accurate local prices. This can best be done by regular contacts between group members and representatives, and by the exchange of information.

78.- Q. If prices in local markets are out of line with those indicated by central market prices and prices in nearby local markets, what steps should group representatives take to correct this situation?

A. Group representatives should call to the attention of local cotton buyers discrepancies between local market prices and those in central markets or nearby local markets. Before taking steps to correct apparently inaccurate quotations, however, an earnest effort should be made to find some legitimate reason for differences. But if discrepancies cannot be explained or corrected, the group should consider making arrangements for bringing additional buyers into the market or for members to sell cotton in other markets.

Commodity Credit Corporation Loans

79.- Q. Is the classification shown on Form 1 cards acceptable for use in obtaining a loan from the Commodity Credit Corporation?

A. Form 1 cards will no doubt be acceptable if Commodity Credit Corporation loans are available in 1940. This will save farmers the classing fee for loan purposes.

Marketing of Members' Cotton

80.- Q. What are some methods that might be used by organized groups for using cotton classification and market news in marketing their cotton?

A. In the absence of special arrangements for general acceptance of the classification on Form 1 cards by buyers from individuals or from the group as a whole, the classification of their cotton and the market news can probably be used to the best advantage by the members for their own information in selling their cotton. But in considering the use of quality information in selling, one of the first decisions to be made by an organized group is whether to sell as individuals or as a group.

81.- Q. What are some of the possibilities of having classification Form 1 cards accepted from the individual farmers by cotton buyers?

A. If the members wish to sell their cotton as individuals on the basis of classification on Form 1 cards, it is important that they obtain the cooperation of cotton buyers. Representatives of cotton merchants, representatives of cooperative marketing associations, or various types of cotton buyers, should be encouraged to accept the classification evidenced by Form 1 cards. The possibility of arranging for buyers or marketing associations to permit drafts to be drawn through a local bank on the basis of the grade and staple shown on the Form 1 card might well be investigated.

82.- Q. What are some of the possibilities of members selling their cotton as a group?

A. Some groups having a substantial volume of cotton may wish to sell as a unit rather than individually. In such instances the community organization may be able to assume this function. By pooling the cotton of the entire membership of the group, or groups, fairly large lots could be offered for sale from time to time throughout the season. Such sales could be made by public auction or by calling for sealed bids on specified and advertised lots. This method of selling may be adapted

either to the sale of the entire lot of cotton or by lots of even running grades and staples assembled in accordance with the classification of the bales.

It is important in connection with this method of selling to give as much publicity as possible to the date and time of each sale so as to attract all available prospective purchasers. With proper planning and management, such group sales provide an opportunity to obtain current market values for the various qualities of cotton.

Other methods of selling may be devised to meet the situation prevailing in any given community. Some groups may find it advantageous to arrange for the service of an experienced and reliable representative to act as agent or broker for the group and arrange for the sale of pooled lots for a stipulated fee or commission. Groups located within convenient distances of cotton mills may be able to make arrangements with such mills to accept a portion of the group's cotton on the basis of the classification shown on Form 1 cards.

General Information on the Cotton Situation

83.- Q. Is it necessary for group representatives and members of organized groups to keep themselves informed on the general cotton situation?

A. Group representatives should keep abreast of conditions relating to cotton marketing and the cotton situation both at home and abroad. This could be made a full-time job and each local representative must use his own judgment on how much time to spend in keeping himself informed and up-to-date on the general cotton situation. Many members of organized groups will also want to keep up-to-date on general cotton-marketing information. These members will have ample opportunity to do this at no cost to themselves except the time required to read, listen, and absorb information. Information is furnished, upon request, free of charge, by the Agricultural Marketing Service and by other branches of the Department of Agriculture. In addition, there are other public and governmental agencies and many private concerns that publish reliable information on cotton prices and market conditions.

84.- Q. What general cotton marketing information is available?

A. Information on the general cotton situation is condensed and summarized by the Agricultural Marketing Service and by various other Governmental agencies and released as follows:

(1) Daily for broadcasting by radio stations throughout the cotton-growing states.

(2) Weekly as market reviews. A general review of the cotton market and certain regional market information is released on Saturday of each week from the various branch offices of the Agricultural Marketing Service.

(3) Monthly through a publication entitled "The Cotton situation" released by the Bureau of Agricultural Economics.

(4) Annually in the Cotton Outlook, prepared by the United States Department of Agriculture.

85.- Q. How can this information be obtained?

A. The publications mentioned in Section 84 may be obtained free of charge by writing the

U. S. Department of Agriculture
Agricultural Marketing Service
Division of Cotton Marketing

at any of the following cities: Atlanta, Georgia
Dallas, Texas
Austin, Texas
El Paso, Texas
Memphis, Tennessee
Washington, D. C.

"Smith-Doxey Act" and Regulations

86.- Q. What is the language of the so-called "Smith-Doxey Act?"

A. The Smith-Doxey Act (7 U.S.C. 473a-473c) reads as follows:

"(Public - No. 28 - 75th Congress)
(Chapter 75 - 1st Session)
(S. 1500)

AN ACT

Authorizing the Secretary of Agriculture to provide for the classification of cotton, to furnish information on market supply, demand, location, condition, and market prices for cotton, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act authorizing the Secretary of Agriculture to collect and publish statistics of the grade and staple length of cotton", approved March 3, 1927, is amended by inserting between sections 3 and 4 thereof the following new sections:

"Sec. 3a. The Secretary of Agriculture, upon request in writing from any group of producers organized to promote the improvement of cotton who comply with such regulations as he may prescribe, is authorized and directed to determine and to make promptly available to such producers, the classification, in accordance with the official cotton standards of the United States, of any cotton produced by them. The Secretary of Agriculture is further authorized to pay the transportation charges and to furnish tags and containers for the samples of cotton submitted for classification under this section, and all samples of cotton so classified shall become the property of the Government, and the proceeds of any sales thereof after classification shall be covered into the Treasury of the United States as miscellaneous receipts.

"Sec. 3b. The Secretary of Agriculture is also authorized and directed to collect, authenticate, publish, and distribute, by telegraph, radio, mail, or otherwise, timely information on the market supply, demand, location, condition, and market prices for cotton, and to cause to be prepared regularly and distributed for posting at gins, in post offices, or in other public or conspicuous places in cotton-growing communities, information on prices for the various grades and staple lengths of cotton.

"Sec. 3c. The Secretary of Agriculture is further authorized to make such rules and regulations as he may deem necessary to effectuate the purposes of this Act."

Approved, April 13, 1937."

87.- Q. What are the regulations of the Secretary of Agriculture issued in accordance with the terms of the "Smith-Doxey Act?"

A. "Regulations of the Secretary of Agriculture Governing Cotton Classification and Market News Services for Organized Groups of Producers Under the Act of April 13, 1937.*

By virtue of authority vested in the Secretary of Agriculture by the provisions of the Act of April 13, 1937 (Public No. 28, 75th Congress), authorizing the Secretary of Agriculture to provide for the classification of cotton, to furnish information on market supply, demand, location, condition, and market prices for cotton, and for other purposes, I, H. A. Wallace, Secretary of Agriculture, do prescribe, publish, and give public notice of the following regulations to be in force and effect on and after this date and until amended or superseded by regulations hereafter made by the Secretary of Agriculture.

* As amended to March 1940

REGULATION 1.--ADMINISTRATION

Section 1. The Chief of the Agricultural Marketing Service is charged with the supervision on behalf of the Secretary of Agriculture of the performance of all duties arising in the administration of the Act and these regulations.

Sec. 2. Regional offices.--Regional field offices shall be maintained at points designated by the Chief of the Service.

Sec. 3. Field classing offices.--The Chief of the Service may from time to time authorize the establishment of field cotton classing offices at other points.

REGULATION 2.--CLASSIFICATION AND MARKET NEWS SERVICES

Section 1. Classification of samples.--The Chief of the Service or his authorized representatives, upon request in writing from any group of producers organized to promote the improvement of cotton who comply with these regulations, shall as hereinafter provided, furnish to such producers without charge the classification in accordance with the official cotton standards of the United States of samples representing cotton produced by them. It appearing that funds appropriated for the administration of the Act may at times be insufficient to provide for the classification of all of the cotton grown by members of such groups, the Chief of the Service may when necessary direct that only samples representing that portion of members' cotton produced from seed of an adopted variety, or from seed replanted on land first planted during any growing season to seed of such adopted variety, shall be eligible for classification under these regulations; and in any event such classification may be limited to samples representing cotton produced by members whose cotton acreage for any growing season is first planted in whole or in part to seed of an adopted variety.

Sec. 2. Market News.--The Chief of the Service shall cause to be distributed to groups of producers organized to promote the improvement of cotton who comply with these regulations, and to others on request, for posting at gins, in post offices, or other public or conspicuous places in cotton growing communities, timely information on prices for various grades and staple lengths of cotton.

REGULATION 3.--ORGANIZED GROUPS

Section 1. Groups of producers organized to promote the improvement of cotton may be recognized as such within the meaning of the Act if they meet the following requirements:

(a) Such an organization may be an unincorporated association or it may be incorporated.

(b) The cotton fields of members of an organized group shall be located within the area generally recognized by the group as its community and any fields of members in which planting seed of the adopted variety and strain is produced shall be so located as to prevent or minimize cross pollination with other varieties or strains. The seed planted pursuant to the crop improvement program of any group shall be of such variety and seed stock of proven merit as shall have been agreed upon by the group, and the cotton produced shall be ginned in such a manner as to prevent the mixing of the seed or lint of an adopted variety with the seed or lint of other varieties or strains. Provision shall be made by the group for the procurement, production and economical distribution of approved planting seed of the adopted variety and strain for use by members of the group.

(c) Each organized group shall assume responsibility for obtaining, identifying, and shipping samples to be classified and for posting market information furnished to it in accordance with these regulations; shall see that samples are drawn, handled, and shipped in accordance with instructions furnished from time to time by representatives of the Service; and shall designate a responsible representative and an alternate representative to act for members of the group in matters pertaining to compliance with these regulations. Such representative or alternate representative need not be a producer or a member of the group.

REGULATION 4.--SAMPLING AND CLASSIFICATION

Section 1. A sample of approximately six ounces in weight representative of both sides of each square bale of cotton ginned for a member of an organized group will be submitted for classification. For each round bale a representative sample of approximately three ounces will be submitted.

Sec. 2. Each lot of samples submitted for classification shall be enclosed in packages or bags which shall be labeled or marked so as to show the name and address of the representative or sampling agency of the organized group. Each sample shall contain a tag bearing the identification of the bale from which it was drawn and the name and address of the producer of such bale.

Sec. 3. Costs incident to sampling, tagging, and identification of samples and transporting samples to points of shipment shall be without expense to the Government except that tags and containers for the shipment of samples may be furnished and transportation charges paid by the Service. The samples shall become the property of the Government.

Sec. 4. Samples submitted as herein provided shall be classified by representatives of the Service and a statement showing the grade and staple length of each sample according to the official cotton standards of the United States will be mailed to the producer whose name appears on the tag accompanying the sample.

Sec. 5. The representative or alternative representative of a group may be designated by the group to receive classification data for its members.

REGULATION 5.--APPLICATIONS

Section 1. Applications shall be made on forms furnished or approved by the Service.

Sec. 2. Each such application shall include (a) the date; (b) the name and location of the organized group; (c) the name, address, and acreage of each member of the group and the adopted variety of cotton to be grown by him; (d) a statement that the variety and strain adopted by the group has been agreed upon by a majority of the members; (e) a statement that the group is organized for the purpose of promoting the improvement of cotton; (f) copies of the organization papers of the group, such as articles of association and by-laws, and copies of ginners' agreements, and other documents relating to cotton improvement by members of the group; (g) the name, title, and post office address of the representative and the alternative representative designated to act for the group; (h) the estimated total number of acres of cotton of an adopted variety to be grown during the year; (i) the arrangements that have been made for posting market information; (j) the arrangements for procuring and distributing planting seed; (k) other information that may be required by the Service; (l) a statement that the group agrees to comply with the Act and these regulations; and (m) the signature of an authorized official or leader of the group. It shall be further required that a statement be furnished from the cooperating state extension service or other state agency cooperating with the Bureau of Plant Industry of the United States Department of Agriculture, and subject to approval by representatives of that Bureau, or from a committee appointed by the Chief of the Agricultural Marketing Service for the purpose, that the group is organized for promoting the improvement of cotton; that all members' fields on which seed stocks are to be produced are so located as to prevent or minimize cross pollination; that the varieties of cotton and seed stocks are approved by such cooperating state agency or committee; that arrangements have been made for ginning the cotton in a manner which will prevent or minimize damage to the fiber and prevent the mixing of the seed or lint of one variety or strain with seed or lint of other varieties or strains; and that satisfactory arrangements have been made for procuring and/or distributing planting seed.

Sec. 3. Application shall be filed with an authorized representative of the Agricultural Marketing Service or mailed to such representative within a period of time to be announced by that Service for the receipt of applications for services during the year to which such application relates. To receive consideration, any such application submitted by mail shall have been postmarked before midnight of the last day of such announced period.

Sec. 4. Applications may be rejected for non-compliance with the act or these regulations, or when funds or facilities are not available to provide the services requested.

Sec. 5. Proof of authority of any person to make application on behalf of an organized group may be required.

Sec. 6. An organized group may withdraw its application at any time.

Sec. 7. Applications shall be subject to renewal from year to year in accordance with a procedure to be prescribed by the Chief of the Service or his representatives.

Sec. 8. Any expense involved in the preparation and filing of applications and requests for renewal shall be paid by the applicants.

REGULATION 6.--LIMITATION OF SERVICES

Section 1. The Chief of the Service or his authorized representatives may suspend, terminate, or withhold cotton classing and market news services to any organized group upon its request or upon its failure to comply with the Act or these regulations, or when funds or facilities are insufficient to provide or continue such services.

In testimony whereof I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the City of Washington, this 7th day of June 1938.

H. A. WALLACE,

Secretary."

